

Message Text

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PAGE 01 BUDAPE 04445 241046Z
ACTION EUR-12

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R 240945Z DEC 77
FM AMEMBASSY BUDAPEST
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INFO SECSTATE WASHDC 197
AMEMBASSY BERLIN
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AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
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AMEMBASSY VIENNA

UNCLAS BUDAPEST 4445

USDOC FOR BEWT-LEVINE AND VERZARIU

E.O. 11652: N/A
TAGS: BBSR HU
SUBJECT: EAST-WEST COUNTERTRADE PRACTICES - A BUSINESSMAN'S GUIDE

REF: (A) USDOC 19408 (B) BUDAPEST 4104 (C) BUDAPEST 3974

1. USDOC HAS PREPARED AN EXCELLENT GUIDE FOR BUSINESS PERSONS INTERESTED IN COUNTER-TRADE PRACTICES IN EUROPE AND THE SOVIET UNION. EMBASSY FINDS IT A USEFUL REFERENCE WORK AND RECOMMENDS THAT IT BE REVISED AND UPDATED AT REGULAR INTERVALS.

2. SECTION ON HUNGARY IS GENERALLY ACCURATE. HOWEVER, HUNGARY HAS BEEN ELIMINATING A NUMBER OF BILATERAL CLEARING AGREEMENTS OVER THE PAST SEVERAL YEARS, SO THE INFORMATION ON HUNGARY IN APPENDIX A IS NOT ACCURATE. A NATIONAL BANK OF HUNGARY OFFICIAL TOLD EMBASSY THIS MONTH THAT HUNGARY HAS ONLY EIGHT BILATERAL ACCOUNTS NON-UNCLASSIFIED

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COMMUNIST STATES. EMBASSY DOES NOT HAVE ACCURATE LIST BUT UNDERSTANDS THAT THESE INCLUDE INDIA, FINLAND, IRAN, COLOMBIA, ECUADOR, BANGLADESH, BRAZIL, AND ONE OTHER. THE RUPEE CLEARING ACCOUNT WITH INDIA IS TO BE TERMINATED EFFECTIVE JAN 1, 1978. OFFICIAL ALSO CONFIRMED THAT HUNGARY MAINTAINS BILATERAL ACCOUNTS WITH NORTH KOREA AND VIETNAM.

4. EMBASSY WISHES ALSO TO CALL USDOC'S ATTENTION TO REFS (B) AND (C) WHICH OUTLINE BRIEFLY GOH'S OFFICIAL ATTITUDE TOWARDS COUNTER-TRADE. ALTHOUGH RANKING OFFICIALS HAVE TAKEN VIEW THAT CT ARRANGEMENTS SHOULD NOT BE FORCED ON FOREIGN FIRMS SELLING TO HUNGARY, EMBASSY EXPECTS THAT IN PRACTICE EXPORT-MEINDED WORKING LEVEL OFFICIALS IN FTO'S WILL CONTINUE TO PRESS FOR SUCH DEALS. NEVERTHELESS, IN RECENT MONTHS EMBASSY HAS NOT RECEIVED ANY COMPLAINTS IN THIS REGARD FROM AMERICAN BUSINESS PERSONS.

3. FIRST TWO SENTENCES IN PARA 2 ON PAGE 47 ARE ALSO INACCURATE. RANKING FOREIGN TRADE BANK OFFICIAL INFORMED EMBOFF THAT WESTERN FIRMS ARE NOT REQUIRED TO PURCHASE GOODS UNDER CT ARRANGEMENTS FROM FTO TO WHICH IT SELLS ITS MANUFACTURES. WESTERN FIRMS ARE FREE TO PURCHASE GOODS FROM ANY FTO (ALTHOUGH WE SUSPECT THAT ZEALOUS FTO REPRESENTATIVES OFTEN TRY TO PUSH THEIR OWN LINES DESPITE THIS OFFICIAL POLICH). EMBASSY RECOMMENDS USDOC DELETE FIRST TWO SENTENCES AND LINK REMAINING SENTENCES TO PRECEDING PARA. FURTHER RECOMMEND THAT LAST SENTENCE END WITH "TRANSACTIONS." (SEE REFTELS (B) AND (C). FINALLY, WE RECOMMEND THAT FOOTNOTE NO. 25 AT BOTTOM OF PAGE 47 END WITH "\$2.8 UNCLASSIFIED

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BILLION." ALTHOUGH WE DO NOT KNOW THE EXACT DEBT SERVICE RATIO, WE BELIEVE THAT 40 PER CENT IS TOO HIGH.
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